



Ambassador Jeffrey L. Bleich – Forum on Ethical Business Strategies

**Remarks of Ambassador Bleich
Business Forum on Ethical Business
Strategies for a Sustainable City
at Sydney Town Hall, Sydney**

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Thank you Mayor Moore for those kind remarks and thank you to the City of Sydney for convening this meeting, and inviting me to speak about international perspectives on corporate social responsibility.

Now as the Mayor mentioned, prior to becoming the U.S. Ambassador, I practiced law for several years. I chaired the ABA's subcommittee on Corporate Social Responsibility, and I regularly counseled many multinational corporations on corporate social responsibility. As a lawyer, going into a board room, I encountered the sorts of reactions that most lawyers receive which tends to run the gamut from people crossing their arms and frowning, to people openly saying things like "oh, no, not another lawyer." As most of you know lawyers generally get some rough treatment. I hadn't realized that I could go any lower in the food chain . . . until I became a diplomat.

But even though I was a lawyer, my advice was not strictly about the law. When I was counseling clients about CSR, I was not telling them absolutely what the law required and what they needed to do to comply with the law. Sure it helped to know what the law said and what sorts of action might or might not expose them to legal actions. But those were only data points. Rather my job was to provide perspective, to help reveal how they could achieve their own long-term self-interest in light of these constraints.

Now businesses vary. But any business that is a good business ultimately has two goals – (1) to be profitable and (2) to last. No serious business wants to succeed only for one quarter and then collapse. The goal is to succeed not only today but to also build a foundation to succeed more tomorrow. As Warren Buffett has said, "Time is the friend of the wonderful company, the enemy of the mediocre." The goal is to build a company that has time on its side.

So as a lawyer whose job it was to protect my corporate clients, I advised businesses that ethical business strategies are just good business strategies. As the people in this room know, the members of the Board who need your advice are not the ones who already favor adopting ethical strategies. It is the ones who focus on the bottom-line – and want



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to be shown how this strategy will enhance returns and ensure longevity. As Prof. Hiscox will show in greater detail, there is extensive evidence that ethical practices do increase the bottom line: they build a strong brand, a loyal customer base, discourage internal squabbles, avoid lawsuits, and ensure a long-term supply of resources and demand. These facts helped convince apparel companies not to work with vendors that employed child laborers or exploited workers, because it actually undermined their long-term self-interest. Likewise, these facts helped convince extractive industries not to partner with regimes that supplied cheap labor or used unsustainable and destructive processes, or violated human rights norms. While law and moral values matter; the simpler case is that it doesn't work: exploitation undermines the very things that were essential to their long-term bottom line.

If you don't believe that reputation has a hard cash value associated with it, consider this: Companies spend billions of dollars each year to build their brand and create loyalty through advertising and marketing. They pay a specific amount that – in their experience – produces a real return in reputation. Reputation matters because it brings in the best employees, attracts customers, opens markets, and avoids heavy-handed regulation. So as a lawyer, who cared about his clients' success, I counseled clients to invest in their communities, in their employees' education, child care, and health programs -- not purely out of altruism -- but also because a smart, healthy, motivated, and grateful employee is the most important asset any company has.

Now that I am a diplomat, I see that if anything my perspective was a little too narrow. Good practices are not just good for an individual business; they are an essential part of good government. Sustainable business strategies not only strengthen the individual business – they strengthen the entire environment for that business. That is why our nations have as great a stake in these practices as any business would.

Many people might be surprised to learn that the U.S. State Department annually recognizes the U.S. companies that demonstrate exemplary corporate citizenship. Typically we think about the relationship between governments and business as antagonistic. That governments regulate and tax and generally place a drag on business. At least that is the rhetoric. But the U.S. Government rewards businesses. Not because government is a shareholder in companies, but because we are a stakeholder. Let me give you five reasons why good business is critical to achieving our national goals.

First, good companies build our GDP because they stay around. That means a more consistent tax base, greater charitable support, and a better partner.

Second, socially responsible companies are global ambassadors both to other people and to their governments. They are our first line of diplomacy. More people will do business with American companies and use American products than will ever meet an American



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diplomat, a development worker, or a soldier. Often American companies are the face America shows to the world; that is part of why the State Department not only advocates for American businesses large, medium, and small, but promotes best business practices as well, and rewards those companies that adhere to the OECD standards for multinational enterprises.

And it is not just consumers. A strong, sustainable company serves notice to other companies around the world, that sustainable business practices that advance our goals of stability, security, and opportunity, actually work. That levels the playing field for all of us. Sustainable businesses raise the game of other companies that want to survive as well. They win market share, they win respect, and they prove that corporate social responsibility is not an added cost of doing business; it's a core part of doing business right.

Third, businesses that aren't being run sustainably cost governments and citizens money. There are the unpaid creditors, the defaults, the bailouts, the cost of administration, and ultimately the cost of recovery for communities and individuals that were impoverished by that company's short-sighted actions. This cost is imposed by foreign companies just as much as by domestic ones. Unsustainable businesses bring down their country's GDP, create instability, and increase the number of people who require aid. Making businesses sustainable saves us those costs. The best type of foreign assistance is one that helps people help themselves.

Fourth, as Mayor Moore explained -- government can't solve the most pressing challenges alone. Take the subject she raised of sustainable, low-carbon energy. Government can't independently develop, price, and distribute renewable energy supplies. Business is an essential partner in reversing trends that threaten us all. In a world challenged by depleting natural resources, climate change, rising consumer expectations, and radical transparency, no government can really fix all of these itself. The goal is to mobilize businesses to align their income goals with solving these problems.

Fifth, and finally, we are simply kidding ourselves if we don't recognize that corporations often have as much if not more influence on the future of the planet than many nation states. Just to give you some sense, the Gorgon Project on Barrow Island alone is a \$42Billion project. If it were a Country, that would be the 78th largest GDP in the world, larger than the entire GDP of 112 other nations. And that is just one single Chevron project.

So as governments what we must do is create the proper incentives for companies to do what is in their own best interest and also in the community's strategic interest.



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Recently, in the U.S., we distributed over \$100 billion in funding to support cleantech efforts. A vast percentage of that went to creating incentives. We resisted subsidizing a particular technology or attempting to pick winners in the race – we simply agreed to pay for results. We set goals for fuel efficiency and carbon levels and we will reward those entities that reach the goal.

That is our challenge for the next phase of CSR: to enlist businesses' talent for innovation and profit-making to advance society's needs. When I was practicing law, I'd sometimes get the stock statement that "I run a business, this is not a public service." Which sounds right: you know "the business, of business, is business." But then I'd ask the person: "well, what is your business." Usually they'd say "making money." I'd point out that that really isn't their business -- the only business that actually makes money -- is the mint. Rather, they make something else that society values that brings them money in return. So the issue was what are the things you produce that gives society value. If the business owner said it was their product, I'd ask -- "well, is that the only thing? If the government was about to hit your business with a big new tax, would your only argument be that your customers would be denied a product that they want?" And they'd always get creative then and tell us all of the other things that would suffer if there was such a tax. Their employees who are making a living because of the company. Same with their vendors and suppliers. And those employees and suppliers have families who also depend on this income for their educations and health-care. Not to mention the shareholders. And the community that received charitable donations, etc. In fact, when you describe all of that, it sounds like some of what their business does is provide important public service.

Our challenge then is to help businesses recognize the opportunity of sustainability to their business, and how it aligns with their core business ideals. So let me leave you with one simple illustration. Two bricklayers were kneeling side-by-side, laying bricks. A person went up to the first bricklayer and asked "what are you doing." The bricklayer looked up, smirked, and said "what does it look like I'm doing -- I'm laying bricks." The person then went up to the second bricklayer and asked "what are you doing." The second bricklayer said "I'm building a cathedral."

That is what we are talking about: helping people find the perspective to create things that are built to last. I congratulate you all on that important effort.